

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations)

**§18412. Identifying Funding Sources for Contributions and Independent Expenditures Made by Certain Tax Exempt Organizations.**

(a) Application. This regulation establishes rules governing organizations that are formed and operate as tax exempt organizations under Internal Revenue Code Sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), as well as federal or out-of-state political organizations, which make contributions or independent expenditures from their general treasuries to support or oppose a candidate or ballot measure in California, and that report the sources of the funds used to make those contributions or independent expenditures as required by Regulation 18215(b)(1).

(b) If a donor to such an organization requests, knows, or has reason to know that the payment will be used by the organization to make a contribution or an independent expenditure to support or oppose a candidate or ballot measure in California, the full amount of the donor's payment shall be disclosed by the organization as a contribution. A donor "has reason to know," within the meaning of Regulation 18215(b)(1), that a payment will be used to make a contribution or an independent expenditure if a donor makes a payment in response to a solicitation indicating the organization's intent to make a contribution or independent expenditure, an organization has announced such an intent prior to the date on which the donor's payment was made, or if such an intent had otherwise been made known to the donor or to the general public.

(c) If an organization that makes a contribution or an independent expenditure from its general treasury is required by Regulation 18215(b)(1) to identify the donor(s) of

funds utilized to make all or part of a contribution or independent expenditure, the organization shall identify donors described in subdivision (b), and then it shall employ the accounting method reasonably calculated to most accurately identify the sources of funds used to account for any remaining balance of the contribution or independent expenditure. To the extent that there is no more reasonable basis for identification of persons whose donations were used in whole or in part to fund the contribution or independent expenditure, the organization shall allocate the contribution or independent expenditure among donors who provided to the organization funds reportable as miscellaneous increases to cash, employing a “last in, first out” accounting method. If the organization uses an accounting method different from “last in, first out,” it shall identify on its campaign report the accounting method or methods employed. In all cases, however, an organization identifying sources of funding for political expenditures in California should not include funds clearly earmarked for purposes other than political expenditures in California.

(d) The organization shall maintain all records necessary to establish its compliance with subdivision (c).

(e) An organization that qualifies as a recipient committee under Title 9 (commencing with Section 81000) of the Government Code shall report as a recipient committee, identifying its contributors as required under subdivisions (b) and (c) of this regulation.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 82015, 82031, Government Code.

**Regulation 18413(d)(2)(C)**

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(2) Report Contents

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(C) The Form 496 report shall identify the donors whose payments of \$100 or more to the general treasury were used to pay for the independent expenditure. If only a part of a donor's payment to the organization was used to make independent expenditures, the payment may be apportioned for reporting purposes. Donors shall be identified and reported as prescribed by Regulation 18412(b) and (c). Donor payments to the organization that may be subject to itemized disclosure pursuant to Regulation 18215(b)(1) are those payments made after the date of the organization's first expenditure or contribution of \$1,000 or more.

**Regulation 18215**

(a)

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(b) The term "contribution" includes:

(1) Certain Payments to Nonprofit Organizations and Federal or Out-of-State Political Organizations Active in California Elections. Any payment made to a person or organization other than a candidate or committee, when, at the time of making

the payment, the donor knows or has reason to know that the payment, or funds with which the payment will be commingled, will be used to make contributions or expenditures. If the donor knows or has reason to know that only part of the payment will be used to make contributions or expenditures, the payment shall be apportioned on a reasonable basis in order to determine the amount of the contribution.

There shall be a presumption that the donor does not have reason to know that all or part of the payment will be used to make expenditures or contributions, unless the person or organization has made expenditures or contributions of at least one thousand dollars (\$1,000) in the aggregate during the calendar year in which the payment occurs, or any of the immediately preceding four calendar years.

(2) Candidate's Own Money. A candidate's own money or property used on behalf of his or her candidacy.

(3) Discounted Goods or Services. Any goods or services received by or behested by a candidate or committee at no charge or at a discount from the fair market value, unless the discount is given in the regular course of business to members of the public.